

**GOVERNMENT OF TELANGANA**  
**ABSTRACT**

Consolidated Sinking Fund - Revised Scheme of Consolidated Sinking Fund - Orders - Issued.

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**FINANCE (DCM) DEPARTMENT**

G.O.Ms.No. 3

Dated:11-06-2014

Read the following:

1. G.O.Ms.No.24, Finance (W&M) Department, dated 23-01-2008.
2. Letter No. CAS/Govt.-1No.3808/10.01.24/2013-14, dated 6-06-2014 of Manger CAS, RBI, Nagapur

\* \* \*

**ORDER:**

In the reference 1st read above Orders have been issued adopting revised scheme of Consolidated Sinking Fund for Government of Andhra Pradesh.

2. In the reference 2nd read above the Manager, RBI, CAS, Nagapur, has forwarded the draft notification of revised CSF for Government of Telangana to be published in the Government Gazette of Telangana in due course and requested to notify the scheme and forward a copy of the same to their internal debt management department, RBI, Central Office, Mumbai. And further it was also informed that only after notifying the scheme in the gazette the Government of Telangana shall be able to invest in the Consolidated Sinking Fund of Government of Telangana.

3. Consequent to the formation of Telangana State with effect from 2nd June, 2014, Government have considered to adopt the Revised Scheme of CSF proposed by RBI vide reference 2nd read above.

4. Government here by order for Constitution and Administration of the Revised Scheme of Consolidated Sinking Fund at the rate of 0.5 per cent of the outstanding liabilities of Government of Telangana, as per the guidelines of Reserve Bank of India annexed to this order.

5. The IDMD Division, Reserve Bank of India, Mumbai shall transfer the apportioned amount of CSF to Government of Telangana as per State Reorganisation Act, 2014.

6. The Accountant General, Telangana, Hyderabad is requested to carry out the adjustments in his books after obtaining supplementary grant during the year 2014-15.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF TELANGANA)

**V. NAGI REDDY**  
PRINCIPAL SECRETARY TO GOVERNMENT

To  
The Accountant General, A.P., Telangana, Hyderabad.  
The Director of Treasuries and Accounts, A.P., Hyderabad.  
Copy to: Reserve bank of India, Central Office, IDMD, Mumbai.  
Reserve bank of India, Central Accounts Section, Nagapur,  
Reserve Bank of India, Saifabad, Hyderabad

SF/SC

## **ANNEXURE**

(Annexed to G.O.Ms.No.3, Finance (DCM) Department, dated 11-06-2014)

### **Scheme for Constitution and Administration of the Consolidated Sinking Fund of Government of Telangana**

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| <b>Title of the Scheme</b>                         | <b>1.</b> The Scheme shall be called 'Consolidated Sinking Fund Scheme' (hereinafter referred to as 'the Fund') of the Government of Telangana (hereinafter referred to as 'the Government').   |
| <b>Constitution of the Fund</b>                    | <b>2.</b> The Fund' will be constituted by the Government of Telangana for redeeming its outstanding liabilities. Consequent upon its formation in terms the Andhra Pradesh Reorganisation Act, 2014 (No. 6 of 2014), the apportioned share of Telangana in the outstanding balance of the extant Consolidated Sinking Fund (CSF) scheme of Andhra Pradesh shall be transferred to Telangana. |
| <b>Objective of the Scheme</b>                     | <b>3.</b> The Fund is to be utilised as an Amortisation Fund for redemption of the outstanding liabilities of the Government.   |
| <b>Commencement of the Operation of the Scheme</b> | <b>4.</b> The Fund shall come into force with effect from June 2, 2014.   |

#### **Explanation**

- (a)** The Fund shall substitute the extant CSF scheme adopted by the Government.
- (b)** The share of Telangana in the outstanding balances of the extant CSF Scheme of Andhra Pradesh as at end-May 2014 shall be transferred to the Fund.
- (c)** The interest accrued and accumulated in the Fund only shall be utilised towards the redemption of the outstanding liabilities of the Government as hereinafter provided.
- (d)** The Fund shall not be utilised for any purpose other than redemption of the outstanding liabilities of the Government.

Provided that the net incremental annual investment of States (i.e. outstanding balance over and above the level in the corresponding period of the previous year)

shall be eligible for availing Special WMA such that the availment of Special WMA under this provision does not exceed the Normal WMA limit.

- (e) The outstanding liabilities is defined to comprise of internal debt and public account liabilities of the Government.

**Contributions to the Fund**

5. The Government may contribute to the Fund on a modest scale of at least 0.5 per cent of the outstanding liabilities as at the end of the previous year. The Government shall make efforts to raise the minimum contribution every year. There is no ceiling on such contributions to the Fund in terms of number of times of making contributions in a year. It is open to the Government to invest in the Fund from the General Revenue at any time or from other sources such as disinvestment proceeds to the Fund, at its discretion. The Government shall not fund its contribution to the Fund out of borrowings from the Reserve Bank.

**Relationship of the Fund with General Revenues**

6. The corpus of the Fund comprising the periodic contributions as well as the income accruing to the Fund shall be kept outside the General Revenue of the Government. The Fund shall be utilised in the manner prescribed in this Scheme.

**Administration of the Fund**

7. The Fund shall be administered by Central Accounts Section of the Reserve Bank of India at Nagpur (herein after referred to as the Bank), subject to such directions / instructions as the Government may issue from time to time.

**Investment of the corpus of the Fund**

8. The accretions to the Fund shall be invested in Government of India Securities of such maturities as the Bank may determine from time to time in consultation with the Government.

**Explanation**

(a) The accretions to the Fund shall include the periodic contributions and the income accruing to the Fund from investment thereof.

(b) The Bank will make available the securities for investment either from its own investment portfolio or by acquiring the securities from the secondary market, without loading any charge other than that indicated in paragraph 10.

**Account Transactions**

9. (a) The Bank would arrange to raise a debit to the account of the Government maintained with it as per the advice of the Government.

(b) The contributions to the Fund shall be invested by the Bank in Government of India Securities as indicated in paragraph 8 in multiples of Rs.10,000/-.

(c) The periodic accretion to the Fund by way of interest income shall be reinvested by the Bank in a similar manner, in multiples of Rs.10,000/-.

(d) The investments held in the Fund and maturing during currency of the scheme shall be reinvested in accordance with paragraph 8.

(e) Withdrawals will be allowed from the Fund.

Provided that States that have already set up the Fund under the earlier Scheme may withdraw an amount in a year after the lock-in period stipulated in the earlier scheme. The amount shall not exceed the amount of redemption due for that year in respect of open market borrowings.

#### **Explanation**

(a) Withdrawals may be allowed in the financial year 2012-13 from out of the interest income accrued and accumulated in the Fund up to the financial year 2011-12 towards the redemption of the outstanding liabilities of the Government as per its directions. Similarly, withdrawals may be allowed in the financial year 2013-14 from out of the interest income accrued and accumulated in the Fund up to the financial year 2012-13 towards the redemption of the outstanding liabilities of the Government as per its directions and so on.

(b) The contribution forming the corpus of the Fund shall remain intact, until substantial amount is built up. A review thereof may be taken at an appropriate period.

(c) The debit to Government on account of the periodic installments will be accounted under the major head 8222 (Reserve Funds). On the maturity of the loan, the balance outstanding under the head 8222 (sub-head Sinking Fund) is credited to the head 8660 (Miscellaneous Government Account) Ledger Balance Adjustment Account.

(d) The Bank shall scroll to the Government the debit on account of investment less the incidental charges in the usual course. However, in order to ensure that the investment transactions of the Fund do not get mixed

up with other transactions, these will be indicated distinctly in separate scrolls.

(e) The Bank shall arrange to collect interest on the investments and credit the same to the Fund on the due dates.

(f) On the maturity of the securities, the Bank shall arrange to redeem the securities. In case of premature disinvestment to meet the liability on account of the claims to be paid, the Bank will decide on the securities to be encashed in consultation with the Government and sell the securities at the ruling price and credit the amount realised, less incidental charges to the Fund. As in the case of debit scrolls, the Bank shall use separate scrolls for the receipts.

(g) The provision for expenditure on account of the periodic contributions shall be made in the Budget of the Government under the relevant head. The extent of expenditure to be financed from the Fund shall be withdrawn from the Fund by the disposal of the investment.

(h) The Bank shall open a Current Account and Subsidiary General Ledger Account in the name of the Fund and furnish to the Government as at the end of September and March each year, a statement showing the details of investments.

**Service charges for administration of the Fund**

10. The Government shall pay to the Bank a commission at the rate of 1/8 per cent of one per cent on the turnover of the Fund or at the rate to be mutually decided from time to time.

**Accounts and Audit**

11. The accounts of the Fund and the investments shall be maintained by the Accountant General of the State in the normal course. The Bank will maintain subsidiary accounts in such manner and details as may be considered by the Government in consultation with the Accountant General.

**Savings**

12. The Government shall issue instructions relating to the provisions of the Scheme as may be considered from time to time to enable smooth functioning of the scheme. In case of any difficulty in the operation of any provision of Scheme, the Government may, if satisfied, relax the provisions.